

# **FISCAL NOTE**

## **HB 2564 – SB 3305**

February 16, 2006

**SUMMARY OF BILL:** Allocates to any county in which there is presently property and a dwelling that once served as a domicile for a former President of the United States, an amount equal to the amount of state and local sales tax revenue derived from sales occurring within such property. Requires the allocation be used exclusively for the maintenance, development, and use on such property.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues – Exceeds \$2,000 - FY06-07 and thereafter**

**Increase Local Govt. Expenditures - \$9,000 - One Time**

**Other Fiscal Impact – An amount of local option tax revenue estimated to exceed \$25,000 per year would be earmarked for the maintenance, development, and use on such properties. As a result, these funds would be shifted away from general purpose use.**

#### Assumptions:

- No portion of revenue derived from increases in the rate of sales and use tax occurring in 1992 and 2002 and earmarked for education shall be apportioned for this purpose.
- According to the Department of Revenue, there are three properties that would qualify and the local option tax revenue generated on these properties in FY04-05 was approximately \$25,000.
- Taxable sales on the properties for FY04-05 are estimated at \$1,000,000 (\$25,000 in local option tax revenue ÷ 2.5% local option rate = \$1,000,000 taxable sales).
- Taxable sales grow 3% per year.
- Taxable sales for properties in FY05-06 is estimated at \$1,030,000 (\$1,000,000 taxable sales from FY04-05 X 103% = \$1,030,000 for FY05-06).
- Any local option tax revenue generated from these properties would be earmarked for the maintenance, development, and use on such properties, and would thus be shifted away from general purpose use.
- Local option tax revenues are estimated to exceed \$25,000 per year.
- State sales tax revenue generated on the properties for FY05-06 is estimated at \$72,100 (\$1,030,000 taxable sales estimate for FY05-06 X state rate of 7.0% = \$72,100).

- Prior to any annual distribution for this purpose, an amount equal to the state sales and use tax revenue collected within such area during FY05-06 (\$72,100) shall be deposited in the treasury and allocated as otherwise provided by law.
- Base is permanently set at approximately \$72,100 each year.
- No allocation would be made from the state in FY05-06 because all that is generated (\$72,100) would have to be deposited into the treasury account.
- State sales tax revenue generated on the properties for FY06-07 is estimated at \$74,263 ( $\$72,100 \times 103\% = \$74,263$ ).
- Decrease of state revenues are estimated to exceed \$2,000 for FY06-07 and thereafter ( $\$74,263$  collection estimate for FY06-07 -  $\$72,100$  base annual deposit to the treasury =  $\$2,163$  left to be allocated).
- This act is contingent upon Davidson, Greene, and Maury counties reimbursing the Department of Revenue for any software modifications required (each shall pay one-third (1/3) of the total expense).
- Software modifications are estimated as a one-time local government expenditure of \$9,000.

*Note: To the extent this legislation is enacted and taxable sales grow faster than the assumption used for this analysis and/or there are subsequent sales tax rate increases in the future, state revenues would decrease by larger amounts each successive year because a lower base (estimated at \$72,100) will have been established. Any sales tax collections over and above the base in future years would be allocated for the purposes set forth herein.*

## **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director